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SUBJECT: HYDERABAD, LIKE BANGALORE, EXPANDS JURISDICTION TO MANAGE GROWTH

REF: CHENNAI 0288

¶1. (U) SUMMARY: Andhra Pradesh recently announced a plan to expand the limits of the state's capital Hyderabad with eye towards improving management of the city's rapid development. The primary purpose of the project, known as Greater Hyderabad, is to mitigate uneven infrastructure development by equally distributing funds for infrastructure projects. The undertaking will rely on additional funding from the India's central government, as well as loans from international institutions. Prospects for the project are substantially better than those of Greater Bangalore (reftel), as the Congress party, the major partner in the ruling UPA coalition in New Delhi, also is firmly in place in Andhra Pradesh. END SUMMARY.

EXPANSION AIMED AT IMPROVING INFRASTRUCTURE

¶2. (U) In April 2007, the Government of Andhra Pradesh announced the creation of the Greater Hyderabad Municipal Corporation, merging together twelve existing municipalities. The new municipal corporation's population is 6.5 million, an increase of almost two million. It expands the city's boundaries from 172 to 625 square kilometers, making it India's second largest city in terms of area, behind only New Delhi. Mr. C.V.S.K. Sarma, the Special Officer for the Greater Hyderabad Project, told post that Andhra Pradesh formed Greater Hyderabad to better develop the city's roads, water supply, sewer system, and transportation systems. The infrastructure projects will require \$10 billion in investment.

¶3. (U) A study by the Hyderabad-based Administrative Staff College of India (ASCI) said the lack of coordination between the Municipal Corporation of Hyderabad and the surrounding municipalities has resulted in uneven development and expansion of slums. The surrounding municipalities, though part of the Hyderabad metropolitan area, lack adequate infrastructure. "This problem will be rectified once Greater Hyderabad becomes a reality because funds will be equally distributed to all areas," said the director of ASCI's Department of Urban Infrastructure.

¶4. (U) Andhra Pradesh expects that the estimated \$10 billion cost of the project will be met partly by support from the central government and partly through loans from international institutions. Sarma, responsible for Greater Hyderabad, said there will be no tax increases to fund the project. "We would rather focus on improving tax collection such as by offering incentives for timely payment of taxes," he said. The ambitious list of on-going development activities includes a metro rail project, the 162-kilometer Outer Ring Road, an underground sewerage system, an elevated express highway, a special development package for the Old City. Sarma said

"The state government will opt for commercial borrowings, and partly provide sub-sovereign guarantee for loans from international agencies."

POLITICS, AS ALWAYS, PLAY A ROLE

15. (SBU) The project is controversial because formation of Greater Hyderabad changes the state's internal political dynamic. Hyderabad is part of Andhra Pradesh's otherwise economically backward Telangana region, which is home to a separatist movement calling for statehood for the region. Political analysts say that Chief Minister YSR Reddy has shrewdly advanced the Greater Hyderabad project to sever the city, the principal source of Andhra Pradesh's economic growth, from the Telangana region and Telangana supporters' calls for its separation from Andhra Pradesh. At the same time, the Majlis-e-Ittehadul-Muslimeen party, which derives its strength from its dominant numbers inside the old Municipal Corporation of Hyderabad, opposes the project as its numbers are diluted in Greater Hyderabad.

16. (U) Greater Hyderabad also reflects an element of interstate rivalry between Andhra Pradesh and neighboring Karnataka. Andhra Pradesh announced the Greater Hyderabad project only weeks after Karnataka had announced a similar plan for Bangalore. Central government support, in terms of loans, clearances, and sovereign guarantees, will be critical to both projects.

17. (SBU) COMMENT: Andhra Pradesh, governed by the Congress party, which is the major partner in the ruling UPA coalition in New Delhi, enjoys a significant advantage in relations with India's central government over Karnataka's Janata-Dal(S)/BJP coalition government. In a competition for resources between the two, Andhra Pradesh and Greater Hyderabad have a strong chance of winning out. Many locals

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are skeptical of the plan, however. Some for political reasons: Telangana separatism and Muslim bloc voting; others for practical reasons: governing a larger city is all the more difficult. But if consolidation improves coordination and results in a more rational distribution of infrastructure development funds, Hyderabad will be a better place to live and an even more inviting place to do business.

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